A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 22, 1939, at 4:45 p.m.

PRESENT: Mr. Ransom, Vice Chairman
        Mr. Szymczak
        Mr. McKee
        Mr. Davis
        Mr. Draper

        Mr. Bethea, Assistant Secretary
        Mr. Carpenter, Assistant Secretary
        Mr. Wyatt, General Counsel
        Mr. Smead, Chief of the Division of Bank Operations
        Mr. Dreibelbis, Assistant General Counsel
        Mr. Thomas, Assistant Director of the Division of Research and Statistics
        Mr. Gardner, Senior Economist in the Division of Research and Statistics

Mr. Dreibelbis stated that this afternoon Mr. Logan, General Counsel for the Federal Reserve Bank of New York, called him on the telephone and read a draft of telegram which was being sent to the Board immediately stating that the Federal Reserve Bank of New York had been requested by the Bank for International Settlements to advise it whether the Reserve bank was prepared to make advances secured by gold in transit to New York on the same terms and conditions as set forth in the Reserve bank's cable of November 28, 1934, (No. 247) to the Bank for International Settlements, and that the New York bank requested the Board's approval for such advances. Mr. Dreibelbis said that the immediate occasion for the request of the Bank for International Settlements was that it desired an advance against approximately
$2,250,000, of gold to be placed in transit shortly and that Mr. Logan had suggested that the Board of Governors might wish to grant the Reserve bank continuing authority to make such advances so that it would not be necessary to submit each request for an advance to the Board.

Mr. McKee called Mr. Logan on the telephone and raised the question whether the Reserve bank would be adequately protected by insurance on the shipments. Mr. Logan stated that he would check the matter with Mr. Knoke, Vice President of the Federal Reserve Bank of New York, and advise the Board. Shortly thereafter Mr. Knoke called back and stated that it was the practice of the New York bank to obtain full insurance coverage on all such shipments, the expense of such insurance to be borne by the borrower, and that if the Board should decide to give the Reserve bank a continuing authority to make such loans it was believed a limit of $20,000,000 outstanding at any one time would be adequate to take care of any situation that could be foreseen at this time. Mr. Knoke also read the draft of telegram which it was proposed to send to the Bank for International Settlements in the event the Board authorized the New York bank to make the Proposed loan. A transcript of the draft of telegram to the Bank for International Settlements as read by Mr. Knoke has been placed in the Board's files.

At the conclusion of a discussion, the following telegram to the Federal Reserve Bank of New York was approved by unanimous vote:

...
"Your telegram date. Board of Governors hereby authorizes your bank to make advances of not to exceed $20,000,000 outstanding at any one time to Bank for International Settlements secured by gold actually in transit to New York on terms and conditions your cable number 247 dated November 28, 1934, any such advances to bear interest at discount rate in effect at your bank. Participation in such loans by any other Federal Reserve banks is approved and they will be advised accordingly."

While no time limit was placed on the authority granted in the telegram it was understood that the matter would be placed on the docket for further consideration not later than June 1, 1939.

Mr. Bethea stated that Howard A. Loeb, Vice President of the Federal Advisory Council had called his office today and stated that he had just learned that a new trust indenture bill (H.R. 5220) had been introduced by Mr. Cole of Maryland in the House of Representatives and referred to the Committee on Interstate and Foreign Commerce and that he (Mr. Loeb) was authorized by the Council to request the Board to send to the Chairman of the House Committee a copy of the statement with respect to the Barkley Trust Indenture Bill (S. 477) which was submitted by the Council at the meeting with the Board on February 14, 1939, and at the request of the Council sent by the Board to the Chairman of the Senate Committee on Banking and Currency.

By unanimous vote Mr. Bethea was authorized to comply with the request of the Federal Advisory Council.

At this point Messrs. Wyatt, Smead, Dreibelbis, Thomas and Gardner left the meeting and the action stated with respect to each
of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 21, 1939, were approved unanimously.

Letter to Mr. Brainard, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of March 16, 1939, the Board approves the appointment of Mr. Elmer F. Fricke as Alternate Assistant Federal Reserve Agent at your bank at his present salary of $1,680 per annum, effective April 1, 1939, with the understanding that Mr. Fricke will be placed upon the Agent's payroll and will be solely responsible to you, or, during a vacancy in the office of Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, or, during a vacancy in the office of the Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

"Mr. Fricke should execute the usual oath of office and surety bond in the amount of $50,000, and he should not enter upon the performance of his duties as Alternate Assistant Federal Reserve Agent until the bond has been examined by your counsel to determine whether its execution complies fully with the rules printed on the reverse side of form of bond 182, following which the bond should be forwarded to the Board promptly for approval.

"It is noted that Mr. Lester J. Henk, the present Alternate Assistant Federal Reserve Agent, will be relieved of his agency functions on April 1, 1939. Please forward his resignation to the Board promptly after receipt thereof so that an appropriate letter may be written to the bonding company involved, releasing it from liability
"on the bond executed by Mr. Henk as Alternate Assistant Federal Reserve Agent."

Approved unanimously.

Memorandum dated March 21, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated March 17 from Mr. Hays, Assistant Vice President of the Federal Reserve Bank of Cleveland, which requested approval by the Board of changes in the personnel classification plan of the bank to provide for the creation of the new position of "Assistant Department Manager" in the Provision of Personnel Department and "Control Clerk" in the Noncash Collection Department, for the discontinuance of the position of "Assistant Head of Department" in the Expense Accounting Department, for a change in the position of "Expense Ledger and Voucher Clerk" in the Expense Accounting Department with a maximum salary of $2,500 per annum to "International Business Machine Accounting Clerk" in the Provision of Personnel Department with a maximum salary of $2,520 per annum, and for changes in the name of department, title of position, or description of work of six other positions. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:
"Under the provisions of paragraph (1), subsection (i), of section 12B of the Federal Reserve Act, as amended, the Board of Directors of the Federal Deposit Insurance Corporation has found that The Hamilton Trust Company of Paterson, Paterson, New Jersey, has continued unsafe and unsound practices in the conduct of its business, has so advised the Board of Governors of the Federal Reserve System, and has requested the Board of Governors to fix the time in which the bank shall make the necessary corrections of such practices and to advise the Corporation of any action taken by the bank to effect such corrections.

There is enclosed a letter the Board has addressed to The Hamilton Trust Company of Paterson, Paterson, New Jersey, together with three copies thereof, advising of the findings of the Board of Directors of the Federal Deposit Insurance Corporation and fixing July 20, 1939 as the date not later than which the necessary corrections of the unsafe and unsound practices mentioned shall be effected.

You are hereby authorized to have the enclosed letter, together with a copy of the Federal Reserve Act, personally presented to The Hamilton Trust Company of Paterson, Paterson, New Jersey, the person who does so to make an affidavit of service in the usual form in which such affidavits are made in the State of New Jersey. This affidavit, and a copy of the letter to which it is attached, should be forwarded to the Board.

One of the copies of the letter to the bank is for your files, and you are requested to forward the other copy to the Commissioner of Banking and Insurance of the State of New Jersey for his information."

Approved unanimously, together with a letter to The Hamilton Trust Company of Paterson, Paterson, New Jersey, reading as follows:

"Paragraph (1) of subsection (i) of section 12B of the Federal Reserve Act, as amended, reads in part as follows:

'... Whenever the board of directors (of the Federal Deposit Insurance Corporation) shall find that an insured bank or its directors..."
"or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, or to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the Comptroller of the Currency, the State authority, or Board of Governors of the Federal Reserve System, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive. . . . ' (Statement in parenthesis supplied.)

"Pursuant to the statutory provisions above quoted, the Federal Deposit Insurance Corporation has submitted to the Board of Governors of the Federal Reserve System a statement, a copy of which is attached hereto, with respect to continued unsafe and unsound practices by The Hamilton Trust Company of Paterson for the purpose of securing corrections thereof, of which you will please take notice. You are hereby directed to effect corrections of the unsafe and unsound practices enumerated in the enclosed copy of the statement of the Federal Deposit Insurance Corporation; and the Board of Governors of the Federal Reserve System has fixed the period ending July 20, 1939, 120 days from the date of this letter, as the time within which such
"corrections shall be effected. You are requested to advise the Federal Reserve Bank of New York on or before July 20, 1939 as to the action which has been taken effecting corrections of the unsafe and unsound practices referred to.

"For your information, there is enclosed a copy of the Federal Reserve Act, and your attention is called to section 12B thereof and particularly to the full text of subsection (i) of section 12B."

In connection with the above matter, the following letter to the Federal Deposit Insurance Corporation was also approved unanimously:

"This refers to your letter of March 16, 1939, in which it is stated that the Board of Directors of the Federal Deposit Insurance Corporation has found that The Hamilton Trust Company of Paterson, Paterson, New Jersey, a State member bank, has continued unsafe and unsound practices in the conduct of its business. Pursuant to paragraph (1), subsection (i), of section 12B of the Federal Reserve Act, as amended, your letter contains a statement with respect to such practices for the purpose of securing corrections thereof.

"The Board of Governors has fixed the period ending July 20, 1939, 120 days from the date of a letter addressed to the bank on March 22, 1939, serving notice regarding the required corrections, as the time within which the necessary corrections of the unsafe and unsound practices in the conduct of its business recited in your letter may be effected. You will be informed as promptly as possible of any advice which the Board receives as to any action taken by the bank to effect such corrections."

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"Under the provisions of paragraph (1), subsection (1), of section 12B of the Federal Reserve Act, as amended, the Board of Directors of the Federal Deposit Insurance Corporation has found that the Central Home Trust Company,
"Elizabeth, New Jersey, has continued unsafe and unsound practices in the conduct of its business, has so advised the Board of Governors of the Federal Reserve System, and has requested the Board of Governors to fix the time in which the bank shall make the necessary corrections of such practices and to advise the Corporation of any action taken by the bank to effect such corrections.

"There is enclosed a letter the Board has addressed to the Central Home Trust Company, Elizabeth, New Jersey, together with three copies thereof, advising of the findings of the Board of Directors of the Federal Deposit Insurance Corporation and fixing July 20, 1939, as the date not later than which the necessary corrections of the unsafe and unsound practices mentioned shall be effected.

"You are hereby authorized to have the enclosed letter, together with a copy of the Federal Reserve Act, personally presented to the Central Home Trust Company, Elizabeth, New Jersey, the person who does so to make an affidavit of service in the usual form in which such affidavits are made in the State of New Jersey. This affidavit, and a copy of the letter to which it is attached, should be forwarded to the Board.

"One of the copies of the letter to the bank is for your files, and you are requested to forward the other copy to the Commissioner of Banking and Insurance of the State of New Jersey for his information."

Approved unanimously, together with a letter to the Central Home Trust Company, Elizabeth, New Jersey, reading as follows:

"Paragraph (1) of subsection (i) of section 12B of the Federal Reserve Act, as amended, reads in part as follows:

'... Whenever the board of directors (of the Federal Deposit Insurance Corporation) shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the
"board of directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, or to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the Comptroller of the Currency, the State authority, or Board of Governors of the Federal Reserve System, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive. . . . ' (Statement in parenthesis supplied.)

"Pursuant to the statutory provisions above quoted, the Federal Deposit Insurance Corporation has submitted to the Board of Governors of the Federal Reserve System a statement, a copy of which is attached hereto, with respect to continued unsafe and unsound practices by the Central Home Trust Company for the purpose of securing corrections thereof, of which you will please take notice. You are hereby directed to effect corrections of the unsafe and unsound practices enumerated in the enclosed copy of the statement of the Federal Deposit Insurance Corporation; and the Board of Governors of the Federal Reserve System has fixed the period ending July 20, 1939, 120 days from the date of this letter, as the time within which such corrections shall be effected. You are requested to advise the Federal Reserve Bank of New York on or before July 20, 1939 as to the action which has
been taken effecting corrections of the unsafe and un-
sound practices referred to.

"For your information, there is enclosed a copy of
the Federal Reserve Act, and your attention is called to
section 12B thereof and particularly to the full text of
subsection (i) of section 12B."

In connection with the above matter
the following letter to the Federal Deposit
Insurance Corporation was also approved
unanimously:

"This refers to your letter of March 16, 1939, in
which it is stated that the Board of Directors of the
Federal Deposit Insurance Corporation has found that the
Central Home Trust Company, Elizabeth, New Jersey, a
State member bank, has continued unsafe and unsound prac-
tices in the conduct of its business. Pursuant to para-
graph (1), subsection (i), of section 12B of the Federal
Reserve Act, as amended, your letter contains a statement
with respect to such practices for the purpose of secur-
ing corrections thereof.

"The Board of Governors has fixed the period ending
July 20, 1939, 120 days from the date of a letter ad-
dressed to the bank on March 22, 1939, serving notice
regarding the required corrections, as the time within
which the necessary corrections of the unsafe and unsound
practices in the conduct of its business recited in your
letter may be effected. You will be informed as promptly
as possible of any advice which the Board receives as to
any action taken by the bank to effect such corrections."

Thereupon the meeting adjourned.

Approved:

[Signature]

Vice Chairman.

[Signature]

Assistant Secretary.